

STEVEN W. MYHRE
Attorney for the United States
Acting Under Authority Conferred by
Title 28, United States Code, Section 515
JAMES E. KELLER
Assistant United States Attorney
100 West Liberty Street, Suite 600
Reno, Nevada 89501
(775) 784-5438

Attorneys for Plaintiff.

UNITED STATES DISTRICT COURT
DISTRICT OF NEVADA

UNITED STATES OF AMERICA,

Plaintiff,

vs.

ROBERT CHRISTOPHER READE,

Defendant.

Case No. 2:14-CR-00022-KJD-CWH

GOVERNMENT'S
SENTENCING MEMORANDUM

The United States, by and through the undersigned, respectfully submits its Sentencing Memorandum in the above-captioned case. This filing is timely.

INTRODUCTION

This case is about an experienced Nevada attorney who, motivated by greed and profit, untethered himself from his professional responsibilities and knowingly embroiled himself in his clients' fraud and money laundering scheme, abandoning his role as an attorney and transforming into an accessory-after-the-fact by knowingly lying and cheating to advance and conceal an invidious fraud that netted millions of dollars and devastated the lives of its victims in the process. As we explain more fully below, the defendant's offense conduct at issue here is not a "one-off" act spawned by the unfortunate coupling of naïveté and necessity. It is, rather, a knowing, calculated, and sophisticated

1 course and pattern of conduct, conduct motivated by greed and engaged in over time, conduct the
2 defendant knew full well was wrong, conduct the defendant knew full well ran contrary to his
3 professional obligations as an attorney, and conduct the defendant knew full well would hurt others.

4 The government will contend, therefore, that a guideline sentence that includes an 18-month
5 term of imprisonment is fully warranted in this case. A sentence along those lines not only addresses
6 the serious nature of the offense conduct evidenced here, but is entirely fair when considering the
7 sentences already meted out to the principal proponent of the fraud, Rick Young, and his co-
8 conspirator/assistant, William Willard. Willard and Young were convicted and sentenced for the fraud
9 scheme in December 2011. *United States v. Young and Willard*, 3: 08-cr-0120-LRH-VPC.

10 FACTS

11 In support of the following facts, the government relies upon the facts contained in the
12 Presentence Investigation Report (“PSR”), the attached exhibits, and any witness testimony it may
13 adduce at the sentencing hearing. In the event the defendant argues for a below-guidelines departure to
14 a non-custodial sentence, the government intends to present two witnesses from the National Futures
15 Association (“NFA”) to provide further evidence for the Court to assess the facts and circumstances
16 surrounding the offense conduct at issue.

17 **A. The Fraud.**

18 The PSR fairly and accurately describes the underlying investment fraud scheme of which
19 Reade ultimately became a part. To recap, Reade’s clients, Rick Young and William Willard, owned
20 and operated Global One, an internet company that purportedly trained others how to trade in the
21 foreign currency futures market, also referred to as the FOREX. Although Willard was nominally
22 named the Vice-President, Young, touting himself as a world-class FOREX trader who rarely made a
23 losing trade, actually controlled the company and devised the strategies for making money, including
24 selling memberships in Global One. From about 2005 to 2008, Young advertised that for a monthly fee

1 an investor could purchase a Global One membership which entitled that person to access Young's
2 exclusive web-based training seminars (dubbed "webinars") where Young would reveal his secrets to
3 becoming rich using his "can't lose" techniques and strategies for trading in the FOREX.

4 The webinars, however, amounted to nothing more than long sales pitches for selling more
5 memberships and getting people to invest their money with Global One. The webinars mesmerized
6 listeners as Young regaled them with long tirades touting his views on life, religion, politics, investing,
7 and trading. Among other things, Young pitched that he developed a "proprietary" automated trading
8 program called "Global Trac," which, according to him, boasted a 95% win rate in the market, a claim
9 he backed up with charts and graphs that he said reflected the programs trading record. The centerpiece
10 of his pitch, however, was the so-called "profit-sharing" program where members "loaned" money to
11 Global One in return for a promise they would share in a piece of the profits that surely would be
12 generated by the winning Global Trac automated trader. Conveniently, however, the fine print in the
13 agreements specified that Global One was obligated to repay the "loans" only when it made money; in
14 other words: no profits, no repayment.

15 The 2010 Indictment against Young and Willard centered on their numerous misrepresentations
16 about the profitability and trading capabilities of Global One, enumerating charges of wire fraud,
17 conspiracy, and money laundering. Before trial, Willard pleaded guilty to conspiracy, agreeing to
18 cooperate with the government in its case against Young. Young, on the other hand, proceeded to a
19 jury trial in March 2011 before United States District Judge Larry Hicks, where, following three weeks
20 of evidence, the jury convicted Young. *United States v. Young*, 3: 08-cr-0120-LRH-VPC.

21 The evidence presented at trial proved, among other things, that Young's so-called automated
22 trader, "Global Trac," did not exist and trades that Young advertised as automated were, in fact,
23 executed manually by Young and Willard. Further, contrary to the data reflected in the many charts and
24 graphs he posted to his website, Young placed losing trades, repeatedly subjecting his investors to

1 margin calls and sustaining huge loses at an alarming rate. These, he tried to explain away to his
2 investors (and later to the jury at his own trial), were caused by a conspiracy between FOREX brokers
3 and regulators to keep the “little guys” from competing in this lucrative market and by deficiencies in
4 the brokers’ trading platforms that supposedly caused delays in placing trades picked and ordered by
5 Global Trac.

6 The evidence at the Young trial also showed that the so-called profit sharing plan was nothing
7 more than an elaborate Ponzi scheme where Young paid out returns to his investors using the money he
8 fraudulently solicited and obtained from later-in-time investors, falsely representing the payouts as
9 “profits” and using the payout as a basis to solicit even more investments. Within about 18 months,
10 Young’s Ponzi scheme netted over 250 victims and \$16 million in fraudulent proceeds which he
11 promptly used to buy real estate, race cars, motorcycles, tow trucks, a boutique for his wife, houses for
12 each of his kids, and otherwise support a lavish lifestyle. Gov’t Tr. Exs. 66, 81, both attached hereto as
13 Exhibit 6. In total, he fleeced about 1400 people, bilking some of the more vulnerable victims out of
14 everything they owned. *Id.*

15 **B. Reade Learns of the Fraud and Conceals It From Others.**

16 Reade entered the picture in about February 2007, when Young and Willard retained him to
17 assist with company transactions. Eventually, he came to represent Global One in a business transaction
18 involving the purchase of a FOREX brokerage, called “Trend,” and in litigation involving a former
19 contractor and disgruntled investors. It was through this course of dealings with Young that Reade, an
20 experienced commercial litigator (PSR ¶¶ 71-74), learned of Young’s fraudulent schemes and assisted
21 him in concealing it from others.

22 **1. Reade Assists In The Purchase of Trend And Lies To The NFA.**

23 As Global One continued to rake in money through its fraudulent profit sharing plan, Young
24 hatched a plan to launder the proceeds by purchasing Trend. FOREX brokerages like Trend are cash

1 cows that make a tremendous amount of money by earning commissions on every trade regardless
2 whether it's a winner or a loser. For example, one former dealer testified at the Young trial that he
3 earned as much as \$60,000 a month from a relatively small dealership. *See* Steve Janjic Tr. Test. at
4 1429, 1439-40, attached hereto as Exhibit 7. Young was drawn to this plan by the promise of huge
5 profits to be gained by sending Global One clients to Trend to make their trades; Reade was a willing
6 instrument eager to make it happen. *See* Willard Tr. Test. at 34-35, 40, attached hereto as Exhibit 8.

7 To do business in the United States, FOREX dealers must be registered with – and are regulated
8 by – the NFA, an self-regulatory organization within the commodities futures industry. In fulfilling its
9 responsibilities, the NFA is tasked with the review and approve all purchases of FOREX
10 broker/dealers.

11 Under NFA regulations, Young (as Global One) was disqualified from purchasing Trend for at
12 least three reasons: (1) he had a conflict of interest arising from his solicitation of investors to trade
13 through his Global Trac program; (2) his cash was obtained through loans from his members and thus
14 was considered encumbered; and (3) he had a criminal history. Reade helped Young try to get around
15 these obstacles by holding himself out to the NFA as the true purchaser of Trend and concealing the
16 true relationship between himself and Young. To do so, he used his skills and talents as an attorney to
17 set up straw corporations and to move money from Global One's accounts into bank accounts under his
18 name and that of his straw companies. With this in place, Reade signed the purchase agreement for
19 Trend in April 2007 and held himself out to be the purchaser in fact.

20 When, in that same month, the NFA learned of the Trend purchase contract, it opened an audit
21 and questioned Reade about the transaction. Cynthia Ioannacci, the then-Director of Investigations for
22 the NFA, testified at the Young trial about the false representations that Reade made in an attempt to
23 get through the audit. *See* Exhibit 12. Among other things, Reade misrepresented that:

- He would be the sole owner of Trend, and no other entity or individuals would have any ownership interests in Trend. *Id.* at 1255; see also NFA Findings, ¶ 44, attached hereto as Exhibit 14. The funds for the purchase of Trend were his personal funds and contributions. Exhibit 12 at 1296-97; *see also* Reade's letter to the NFA, Exhibit 13.
- Neither Global One nor Rick Young had any ownership or operational interest in Trend. Exhibit 12 at 1272-73; see also Exhibit 14 at ¶¶ 15-16.
- Reade did not have any agreement with Global One over the purchase of Trend. Exhibit 12 at 1275.
- Neither he nor Trend received any payments of money from Global One. Exhibit 14 at ¶ 16.
- Reade was not aware of the names of officers of Global One. Exhibit 14 at ¶ 44.

In truth and in fact, however, Reade well knew at the time who Young was, the true source of the funds to be used for the purchase, and Young's role in the purchase because, at the time of his representations to the NFA, Reade had already established the straw entities and moved money from Global One's accounts in order to effect the purchase.

- In March 2007, Reade created a shell company called Way FX, listing himself as President, Secretary, Treasurer and Director. See Gov't Tr. Ex. 111, attached hereto as Exhibit 9.
- Contemporaneously, he established a bank account for Way FX at Washington Mutual, making himself the signatory authority on the account. PSR ¶ 16.

- 1 • Reade caused the transfer of \$2.25 million of Global One assets to Way FX's
- 2 account in March and April 2007, Gov't Tr. Exhibits. 142 - 145, attached hereto
- 3 as Exhibit 11; see also PSR ¶ 18.
- 4 • On March 19, 2007, Reade caused the transfer of \$1,000,0000 from Way FX to
- 5 Trend. *Id.*
- 6 • On March 30, 2007, Reade caused the transfer of \$250,000 and a separate
- 7 transfer of \$275,000 from Way FX to Trend. *Id.*
- 8 • On April 25, 2007, Reade caused a transfer of \$1,250,000 from Global One to
- 9 Way FX. *Id.*
- 10 • On April 25, 2007, Reade caused a transfer of \$1,250,000 from Way FX to
- 11 Trend. *Id.*

12 The evidence adduced both at the Young trial as well as the evidence the government seeks to
 13 adduce at Reade's sentencing hearing shows the blatant, deliberate and calculated nature of the lies that
 14 Reade told, all in an attempt to fly this transaction under the NFA's radar. Although the NFA was
 15 ultimately successful in disapproving this purchase, it did so only after doggedly pursuing the paper
 16 trail and uncovering Reade's lies. When the NFA discovered that Global One, and not Reade, was
 17 really behind the purchase of Trend, Reade agreed to a lifetime ban from engaging in any purchase or
 18 participation in any entity regulated by the NFA. *See* Exhibit 1.

19 In August 2007, and after it was clear that the NFA would not approve Reade's attempted
 20 purchase of Trend, Reade continued to transfer money on behalf of Young.

- 21 • On August 8, 2007, \$1,500,000 from Trend to Way FX. See Kressin Affidavit in
- 22 Support of Search Warrant, attached hereto as Exhibit 15, at 26-27.
- 23 • On August 8, 2007, \$1,500,000 from Way FX to Global One. See Exhibit 15 at
- 24 27.

- On August 8, 2007, \$670,000 from Global One to one of Young's Paystone accounts in Canada (Paystone was the Canadian equivalent of PayPal). *Id.*; see PSR ¶ 24.
- On August 8, 2007, \$600,000 from the Global One to UBS Swiss bank account for the benefit of Rick Young. *Id.*; see PSR ¶ 24.
- On August 21, 2007, wrote a check for \$75,000 made payable to Reade and Associates. *Id.*; see PSR ¶ 27.

B. Reade Misrepresents Facts to the Nevada District Court in the Walsh Litigation

In 2008, Reade represented Global One and Young in litigation brought by an unhappy investor named Patrick Walsh (hereinafter the "Walsh Litigation"). In that litigation, Walsh claimed, among other things, that Young's profit sharing plan was a Ponzi scheme and that Young was using the loan money for personal use.

On February 15, 2008, Reade appeared on behalf of Young and Global One before Nevada State District Court Judge Allan Earl in connection with a hearing in the Walsh litigation. The transcript of that hearing, attached hereto as Exhibit 2, reveals that Reade made the following misrepresentations before Judge Earl:

- Global One was not involved in the investing of their customer's money and they only provided training about spot trading in the FOREX market. In truth and in fact, Young traded the funds of Global One members.
- Trend Commodities had nothing to do with Global One Group LLC. As demonstrated above, Global One was the real party in interest with Reade acting as a straw purchaser.
- None of Reade's clients had an interest in Global One Group. In fact, Young and Willard were the principals in Global One.

- Reade stated his role within Global One was limited to that of trial counsel even though he was the signatory on two of their bank accounts, he had participated in the attempted Trend purchase and had moved money between bank accounts associated with Global One.

Reade's misrepresentations before Judge Earl show his continuing course of conduct to conceal the fraud and protect Young from punishment, coming long after he knew of the fraud from his dealings with the NFA.

C. Sentences of Young and Willard.

For his part in the Global One fraud, the Court sentenced Willard to 15 months' imprisonment, in accord with a plea agreement where Willard pleaded guilty to the conspiracy and agreed to cooperate with the government. In reaching this sentence, the Court departed downward significantly from the total offense level based on Willard's cooperation as demonstrated by the his testimony at the Young trial.

Young's fate was much different, receiving a guideline sentence of 300 months' imprisonment, which included enhancements for, among other things, his role in the offense, the overall loss amount in excess of \$13 million and the involvement of over 250 victims. At the sentencing hearing, the court stated that it considered the vulnerable nature of the many of the victims of Young's fraud, reading excerpts from the many letters the court received from some from them.

According to the Court, one victim stated that she "will lose \$4800 a year for the balance of her life in lost social security benefits . . . It's created so much tension in her marriage . . . the fact that her divorce occurred in May of 2010 tells the Court much of which I would need to know. . . ." The Court continued, "There is no question that a person at the age of 64 who has to re-enter the work force after that kind of a history will have many sleepless nights and anxiety attacks which will extend for the balance of their lives." Sent. Tr. at 129-130, Exhibit 18. Furthermore, the victim reported to the Court

1 that she “had to borrow money from both of my daughters and my brother to make ends meet. That
2 total amount borrowed was \$25,000, which I cannot pay back.” Sent. Tr. at 130, Exhibit 18.

3 The Court read the impact statement of another victim, who stated, “I lost three-quarters of my
4 life savings. I am 54 now, and I am single. I am expecting to have to work into my 70s to try to make
5 up for what I lost I was married when this happened. Actually, we were newlyweds. It played a big
6 part in our eventual split.” See Sent Tr. 131-32; Exhibit 18.

7 The Court also commented on the obvious and rampant nature of the fraud and defendant
8 Reade’s role in it:

9 [C]ertainly the defendant Willard, Vern Hedquist, the attorney Reade, the man-of-the-
10 cloth Scotson, and others who were closely involved in this being perpetuated over a two-
11 year period – and just the magnitude of this particular offense, the number of people
12 involved, the use of the payment plans, the way that the funds were churned and turned
13 over, there is no question in the Court’s mind that there were far more than five
participants, people who were, likely, not of the kind to want to initiate and commit this
kind of criminal activity but, nonetheless, were aware or would be, at the least, charged
with being aware of the criminality of what was going on [as] rampant. Sent. Tr. 125-26,
Exhibit 18.

14 Commenting on the overall nature and sophistication of the fraud, the Young sentencing court
15 further commented:

16 There is absolutely no question of any kind that this was a sophisticated means fraud. It
17 was fraud which, frankly, is a product of and facilitated by the Internet. That doesn’t
18 make it less than sophisticated. . . . I can’t begin to draw on what the total number of
19 webcasts were by the Defendant Young being presented to anyone who had become
20 involved as an investorThe back-room issue, the charts, the flows, the
representations concerning Global Trac and everything that went with it, the treatment of
funds and the payback of what was represented to be commissions which, frankly, was
nothing more than a Ponzi type of fraud, was so incredibly sophisticated when viewed in
the eyes of the victims who were suffering loss here. Tr. 123-124, Exhibit 18.

21 APPROPRIATE SENTENCE

22 The government agrees with the PSR’s assessment that Reade be adjudged a sentence of 18
23 months’ imprisonment and fined \$40,000. This sentence comports not only with Guideline Range
24 agreed to in Reade’s plea agreement, but is fair when assessing the factors under Title 18, United States

1 Code, Section 3553(a). More to the point, however, it brings defendant Reade's case in line with other
2 participants in the Global One fraud scheme.

3 **A. Nature and Characteristics of the Offense**

4 As shown above, the offense conduct, together with the other relevant conduct in this case,
5 occurred over a period of two years and involved deceit, deception and dishonesty at a very high level.
6 Young had engaged in a sophisticated and multi-layered fraud that caused huge financial harm to a
7 great many people. Although Reade has pleaded guilty only to being an accessory after the fact to the
8 money laundering aspect of the fraud, Reade nonetheless knew what Young was up to at the time. By
9 all accounts as set out in the PSR, Reade was an able and very experienced attorney when he was
10 initially came into contact with Willard and Young. Certainly by the time he was confronted by the
11 NFA and asked about Young's involvement in the purchase of Trend, Reade knew that Young was up
12 to no good.

13 Yet, Reade did not stop. He lied to the NFA for Young; he set up shell companies to act as
14 straw purchasers for Young; and, most importantly, he moved the money for Young, the money that
15 belonged to the victims, the money that was obtained by fraud, the money that fueled Young's
16 enterprise.

17 Even if Reade had doubts about whether all of this was fraudulent or whether he was in fact
18 assisting in the laundering of dirty money – and the record evidence does not suggest that he ever had
19 such doubts – his ethical considerations alone should have counseled him to stop, to not lie, to not enter
20 into business transactions with a client, to not handle his clients' money. Reade, however, cast these
21 very basic ethical principles completely aside for no apparent reason other than greed fueled by the
22 thought of getting into the lucrative business of collecting commissions from FOREX traders.

23 From at least April 2007 through June 2008, Reade remained part of and involved in a
24 fraudulent enterprise that caused great harm to many, many victims. The very planned and deliberate

1 nature of Reade's perfidious conduct over that course of time thus dictates that he should receive a term
2 of imprisonment.

3 **B. Seriousness of the Offense and Need to Promote Respect for the Law**

4 The seriousness of the offense is reflected in the sentences adjudged for the other participants in
5 the Global One fraudulent enterprise: Young received 300 months and Willard 15 months. Neither of
6 them had the same level of training and education as Reade. Both of them had only meager educational
7 backgrounds and neither of them had any legal training or experience whatsoever to guide their actions.

8 Reade, on the other hand, had the advantages of a fine legal education, the benefits of
9 membership in the bar, and a high level of sophistication gleaned from almost ten years of legal
10 experience by the time he became embroiled in the offense conduct. Reade simply has no excuse for
11 his conduct here.

12 As has been shown above, the underlying fraud is very serious given the devastating losses
13 suffered by the victims, many of whom were elderly and lost everything with no time to start over. To
14 sentence Reade – who knew better – to a non-custodial sentence would send the message that attorneys
15 somehow get a break. And although Reade has not admitted to being involved directly in perpetrating
16 the fraud, his provided valuable assistance that as critical to advancing the fraud as the actual lies made
17 to the investors.

18 **C. Provide Deterrence and Protect the Public From Further Crime.**

19 While the chances that Reade will re-offend are relatively low, a custodial sentence would
20 nonetheless send an appropriate message to deter others from engaging in such conduct. Fraud is an
21 insidious crime that while not causing physical harm in most cases, is nonetheless emotionally
22 devastating. One need look no further than common life experiences to recount examples of lost
23 homes, destroyed relationships, and devastated careers resulting from victimization due to fraud.
24

1 A custodial sentence sends the appropriate message to the community that this conduct will not
2 be tolerated and, more specifically, for members of the bar. A custodial sentence will reinforce what
3 should be a readily apparent principle: that the first rule of practicing law is to obey the law.

4 **CONCLUSION**

5 Wherefore, for all the foregoing reasons, the government asks the Court to hold Reade
6 accountable for his actions and impose a guideline sentence in this case which includes a term of
7 imprisonment. In accord with the plea agreement in this case and the PSR, the government seeks a
8 sentence of 18 months' imprisonments and a fine of \$40,000. However, in the event the defendant
9 argues for a non-custodial sentence, the government will, according to the terms of its plea agreement
10 with the defendant, seek and provide evidentiary support for a sentence of 24 months' imprisonment.

11 DATED this 8th day of July, 2014.

12 Respectfully submitted,

13 STEVEN W. MYHRE
14 Attorney for the United States of America

15 /s/ Steven W. Myhre
16 /s/ James E. Keller

17

STEVEN W. MYHRE
18 JAMES E. KELLER
19 Assistant United States Attorneys
20
21
22
23
24

CERTIFICATE OF SERVICE

It is hereby certified that pursuant to LCR 47-11 service of the foregoing GOVERNMENT'S SENTENCING MEMORANDUM was made through the Court's electronic filing and notice system (CM/ECF) on July 8, 2014.

/s/ Steven W. Myhre

STEVEN W. MYHRE
Assistant United States Attorney